

March 14, 2006

To Members of the Sanibel City Council:

Since its inception, Committee of the Islands, Inc. (COTI) has sought to provide suggestions to the Sanibel city government to improve its operations and efficiency. The goal has not been to second-guess City government and the Council, but rather to provide information and another perspective on issues important to all Sanibel citizens.

COTI appreciates the substantial time and effort expended by Council members in the budget process, and we have no desire or intent to meddle in the details of the budget. But taking an overview, we are impressed by the significant changes in macro measures that have occurred over the last six years and wonder if they have risen too far and too fast. Our concerns lie with those less affluent taxpayers whose taxes have risen to a level that might make living on Sanibel difficult. Moreover, if taxes continue to rise we're concerned that they may have a deleterious effect on the prices of homes on Sanibel.

Specifically, COTI has recently completed two studies that appear to suggest that considerable savings might be made in the cost of city government by (1) studying trends in city manpower and their related costs, and (2) comparing Sanibel's cost of Basic Government Services to those of two of our sister cities, Fort Myers Beach and Bonita Springs. This is not an accounting exercise. Our intent is to identify differences within the City's budget and between those of Sanibel and other cities that might in turn stimulate further detailed studies by the City to determine if and where savings could be generated. Key assumptions related to this study are included in the Appendix.

City Manpower

As shown in the following table, personnel services provided by both City employees and outside contractors have seen significant growth.

	2000 Nominal	2000 Inflation. Adj.	2006	Inflation Adj % Increase
No. budgeted employees	101.3	101.3	118.6	17
Salary and benefit costs (\$k)	5,471	6,494	8,571	32
S & B costs/employee (\$k)	54.0	64.1	72.3	13
Purchased professional services	515	611	790	29
Other contractual	234	278	478	72
Total manpower costs (k\$)	6,220	7,383	9,839	33

For an island with a stable population and a relatively unchanged infrastructure we find an inflation adjusted growth (Note 3 Appendix) of manpower costs of 33% over a 6 year period to be unusually high. These manpower figures raise the questions "what additional services are we receiving in 2006 that we did not have in 2000 and are they worth the \$2,400,000 more dollars a year we spend on manpower related costs?"

City Comparisons

To determine whether other cities are experiencing budget pressures similar to Sanibel, we have compared the 2006 budget of Sanibel with those of Fort Myers Beach and Bonita Springs. Although there are certainly differences, in overall character and lifestyle, all cities have as their primary purpose the provision of basic services to their citizens. These cities were selected, in part, because of the commonality of our challenges in providing those services and our presence in a common county government. This makes comparisons more pertinent in trying to assess where and how Sanibel might profit from a closer look as to how these cities operate. Another reason for their selection is that both Fort Myers Beach and Bonita Springs rely more heavily on contracted services than does Sanibel and it is felt that further study of this approach might benefit Sanibel. Bonita Springs has a specific program entitled “Government Right” aimed at outsourcing city services that has “maintained expenditures while providing exemplary services to the community” according to their city manager.

First some basic data for these cities:

	Sanibel	Fort Myers Beach	Bonita Springs
Population (2004)	6,102	6,780	35,850
Assessed property value (\$M)	4,230	3,010	7,347
Millage rate (Lee Cty tax bills)	2.4801	0.8500	0.9976
Ad valorem taxes (\$k)	10,151	2,144	7,072
No. budgeted employees	118.6	24	55
No. private developed properties	7,101	7,908	22,804
No. private properties	7,840	8,120	27,876

Sanibel and Fort Myers Beach are roughly the same size both with respect to population and number of properties. They are also stable communities with respect to modest population and infrastructure growth as opposed to Bonita Springs which has seen a 9% population growth from 2000 to 2004. The differences in taxes and manpower between Sanibel and the other cities are dramatic, but a portion of the latter is the result of outside contracting versus doing more of it in-house as Sanibel has elected to do. It should be noted that both FMB and Bonita S are selectively bringing some of these services in-house.

Budget comparisons between cities are difficult, for each city uses different terminologies and formats. In this exercise we attempt to make our expense comparisons as fair as possible by adjusting the reported figures of FMB and Bonita S to a common basis for comparisons with Sanibel. (Notes 4 and 5 Appendix). Differences still occur, in that each city supports special items not found in the other cities. A detailed study will identify these.

The following table breaks down the budgets for each city into 3 categories:

	Sanibel	FMB	Bonita S.
Adjusted 2006 budgets (\$k)			
Basic government services	11,985	7,028	15,510
Capital projects	4,290	1,867	39,022
Reserves and debt service	9,012	1,871	13,274
Total	25,287	10,766	67,806

Basic Government Services cover general government, public safety, physical environment, transportation, economic environment, human services and culture/recreation. These are the conventional services citizens expect local government to provide. Capital projects for Sanibel and FMB are fairly modest compared to that of Bonita Springs which has experienced a 9% population growth from 2000 to 2004. Reserves and debt services for Sanibel are higher than normal because of the impact of Charley and the reserve for the rec center. These two factors total \$4.5 M in 2006, and it is hoped that this category of expenditure will see a substantial drop in next year's budget. It should be noted that FMB has no debt service

In this study we selected "Basic Government Services" as the best parameter to compare cities, for this represents the on going, operating costs of government. We selected the number of privately held, developed properties as the denominator to permit city to city comparisons. We eliminated vacant lots for they require little in the way of city services. Population was also considered, but this would not account for the many non-residents being served by Sanibel and others.

The resulting comparisons on the annual cost of basic government services per developed property owner are \$1,688 for Sanibel, \$889 for FMB and \$680 for Bonita S. We assume we are getting more and/or better services than our sister cities, but what are these differences and are they worth the additional cost? If we could close only 1/3 of the gap between our sister cities, we could reduce our cost of government by \$2.1 M or approximately \$268/year for the average property owner.

We respectfully propose the following recommendations for your consideration:

- 1) Encourage the City staff to review our numbers, conclusions and make any necessary corrections.
- 2) Determine specifically the improvements in services from 2000 to 2006 and determine if they justify the 33% increase in manpower cost? Are there more effective ways to provide these services?
- 3) Council establish an objective process to study the cost differences between Sanibel and FMB and Bonita Springs to determine if there are opportunities to reduce the cost of Basic Governmental Services on Sanibel.
- 4) Complete these studies early enough to influence Council's decisions on the 2006/2007 budget.

We welcome a discussion on any or all of the issues covered in this report with members of City Council and the City Manager. Please call Curt Stendahl (472-6097) or Jim

Hanlon (395-1691) to arrange for such a meeting and to answer any questions you might have.

Respectfully submitted,

Board of Directors, COTI

CC Ms. Zimomra, Ms Lynch

Appendix
Assumptions for COTI Budget Study.

- 1) Study excludes all budgeted cost and manpower associated with the city's enterprise funds; sewer and beach parking.
- 2) Study excludes \$2,060,000 of library expenses for these costs were 100% financed by the county.
- 3) To correct for inflation between 1999/2000 and 2005/2006 the US government statistics for wages and salaries of state and local governments from the 4th quarter of 1999 to the 4th quarter of 2005 was used. This factor is 18.7%.
- 4) To achieve the adjusted Basic Government Services budget of \$7,028,000 for FMB we valued the additional 0.328 mill that FMB taxpayers pays to Lee County at \$987,000 and added this to their reported Basic Government Services budget. We assume, but do know, that much of this is used to support the public safety function provided by the Lee County Sheriff's office.
- 5) To achieve the adjusted Capital Projects budget of \$39,022,000 for Bonita S. We valued the additional 0.2256 mill that Bonita S taxpayers pay to the Lee County Capital Improvement fund at \$1,657,000 and added this to their reported Capital Project budget. We assume this is for capital projects performed by Lee County on behalf of Bonita S.
- 6) We have assumed that all savings achieved will flow dollar for dollar to the Sanibel taxpayers. We believe this to be valid because of the way the budget is developed. Council decides the cost of government, subtracts all other forms of income and what is left over is for the account of ad valorem taxes. If council reduces the cost of government this process dictates that all savings would go to the taxpayer.
- 7) An official county document lists 1 as the number of trailer properties on Sanibel. We increased the number to 160 to represent the trailer sites. No similar corrections were made to FMB or Bonita S.